

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 AF-06 ISO-00 AGR-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00

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P 102130Z JUN 75

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 8298

INFO AMEMBASSY GUATEMALA

AMEMBASSY LONDON PRIORITY

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY BOGOTA

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

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E.O. 11652 - N/A

TAGS: ETRD, EAGR, ES

SUBJ: COFFEE-MEETING CENTRAL AMERICA AND MEXICO JUNE 2-5

1. SUMMARY: THE "FIRST CONGRESS OF THE COFFEE GROUP OTHER MILDS" HELD HERE JUNE 2-5, PRODUCED A WARMING OF RELATIONS AMONG THE COFFE INTERESTS OF CENTRAL AMERICA AND MEXICO AND AN "AGREEMENT TO AGREE" TO A UNIFIED POSITION ON THE ICA BEFORE THE JUNE 23 LONDON MEETING. ALTHOUGH THE PRODUCT OF THE SIX WORKING GPOUPS WERE "FINDINGS", THEY HAVE BEEN INTERPRETED IN THE LOCAL PRESS AS RESOLUTIONS AND THUS GAVE THE MEETING MUCH THE COLOR OF FEBRUARY WORLD PRODUCERS MEETING, WITH STRONG TALK OF MINIMUM PRICES AND A MONETARY ADJUSTMENT MECHANISM IN THE ICA. END SUMMARY.

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2. ABOUT 65 OFFICIAL AND PRIVATE SECTOR DELEGATES REPRESENTING MEXICO AND THE FIVE CENTRAL AMERICAN REPUBLICS HELD THE "FIRST COFFEE CONGRESS OF THE CENTRAL MILDS" JUNE 2 TO 5 AT SAN SALVADOR. A VENEZUELAN DELEGATION WAS EXPECTED IN CONNECTION WITH THE LONG-AWAITED RETENTION FINANCING BUT NEVER ARRIVED; A LOCAL EMBASSY OFFICIAL SAT AS OBSERVER THE LAST DAY. GOES ECONOMIC MINISTER HIDALGO QUEHL ACTED AS PRESIDENT OF THE CONGRESS BUT PARTICIPATED LITTLE; GUATEMALA'S RENE MONTES, AS SECRETARY GENERAL, PRESIDED.

3. THE CONGRESS WAS ORGANIZED IN WORKING GROUPS AS FOLLOWS:
1) PRODUCTION TECHNIQUES (INCLUDING PRODUCTION AND MILLING COSTS, STORAGE AND ACTUAL AND REQUIRED CAPACITY FOR ADEQUATE MARKETING); 2) SYSTEMS OF CREDIT FOR PRODUCTION, MILLING AND EXPORT;
3) TAX LEGISLATION; 4) INTERNAL MARKETING (CONTRACTS, MINIMUM PRICES, CLASSIFICATION, INSTITUTIONAL ASPECTS); 5) FOREIGN MARKETING;
AND 6) ANALYSIS OF THE NEGOTIATION OF THE NEW ICA. DUE TO SOME OVERLAP IN TOPICS AND LITTLE DISCUSSION PLENARY, SOME WG "FINDINGS," INTERPRETED IN THE PRESS AS RESOLUTIONS, CONFLICTED. THERE WERE NO OFFICIAL RESULTS RELEASED TO THE PUBLIC.

4. THE MAJOR WORKING PAPER WAS PRESENTED BY MEXICO'S FAUSTO CANTU PENA AND ADDRESSED THE CONGRESS' DESIRE TO ACHIEVE A UNIFIED "CENTRAL MILDS" POSITION ON THE NEW ICA BEFORE THE JUNE 23 LONDON MEETING. IT REPORTEDLY WAS BASED ON THE US EXPORT QUOTA POSITION AND OFFERED AS A VARIANT THE CONCEPT OF A PRO RATA ALLOCATION OF THE 20 PERCENT VARIABLE EXPORT QUOTA ACCORDING TO THE WORLD MARKET COMPOSITION BY TYPE OF COFFEE, E.G. ROBUSTAS, "OTHER MILDS", ETC. ALTHOUGH THE TWO ENTHUSIASTIC SUPPORTERS OF THE US

POSITION ON QUOTAS REMAIN MEXICO AND EL SALVADOR (SINCE THEIR STOCK POSITIONS WILL BE REWARDED BY THE 20 PERCENT VARIABLE ALLOCATION), THE OTHERS REPORTEDLY WARMED TO THE MEXICAN POSITION PAPER. GUATEMALA LEANED TO THE FRENCH POSITION. THE MAJOR PURPOSE OF THE SECOND CONGRESS, PROPOSED FOR SAN JOSE AT A DATE PRIOR TO JUNE 23, WILL BE TO ACHIEVE A UNIFIED POSITION ON THE ICA.

5. SEPARATE WG'S PRODUCED CONFLICTING FIGURES ON DESIRED MINIMUM EXPORT PRICE. THAT ON PRODUCTION TECHNIQUES DEVELOPED ONE OF \$65 CWT, WHICH RESULTED FROM A \$40 CWT PRODUCTION COST, PLUS LIMITED OFFICIAL USE

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MILLING, FINANCING, TAX AND COMMERCIALIZATION. THE OTHER FIGURE, \$59 OR \$60 CWT DID NOT LEAK TO THE PRESS. IT RESULTED FROM NOMINALIZING THE 1962 PRICE TO OTHER MILDS. IT WAS NOT WELL RECEIVED AND NO DOUBT A DIFFERENT BASE YEAR WILL BE SOUGHT.

6. A MUCH PUBLICIZED "FINDING" WAS THAT BY WG NO 3 THAT ONE OF THE MOST SERIOUS SITUATIONS AFFECTING COFFEE EXPORTERS IS THE EEC TAX LEGISLATION ON COFFEE INPUTS AND CONSUMPTIONS. EEC TAX

BIAS IN FAVOR THE AFRICANS WAS FAULTED.

7. REPORTEDLY THERE WAS SOME LEVITY CONCERNING STATISTICS. THOSE GIVEN BY THE CA'S AT THE FEBRUARY MEETING WERE MUCH DISPUTED BY EL SALVADOR AND RESULTED IN EL SALVADOR AT THAT TIME TERMINATING THE CENTRAL MILDS INFORMATION CENTER WHICH OPERATED OUT OF THE SALVADORAN COFFEE COMPANY. A NEW STATISTICAL PICTURE WAS TAKEN AND, ALTHOUGH IT APPARENTLY MOVED NEARER TO REALITY, EL SALVADOR'S RICARDO FALLA WAS QUOTED SAYING "THE CONGRESS HAS ACHIEVED MANY BENEFICIAL THINGS, ALTHOUGH HAVING SAID THAT, ALSO MANY LIES, BUT THEY WERE WHITE LIES THAT PERMIT A COORDINATION OF FINAL IDEAS." A CONCRETE RESULT IS THE RESUMPTION OF THE INFORMATION CENTER THROUGH WHICH THE CENTRAL MILDS INFORM EACH OTHER CONCERNING PRICES, SALES AND STOCKS.

8. APART FROM THE PROPOSED SECOND CONGRESS AT SAN JOSE, THE CENTRAL MILDS PLAN TO CAUCUS IN LONDON BEFORE JUNE 23. WE DO NOT KNOW AT THIS POINT HOW SOLIDLY BASED IS THE OTHER MILDS GROUP, BUT THIS MEETING, CONDUCTED IN LOW KEY AND WITH MODEST GOALS, POINTS TOWARD IMPROVED COORDINATION OF COFFEE INFORMATION AND POLICY.

9. FOOTNOTE ON VENFUND FINANCING OF COFFEE RETENTION:
WE ARE TOLD THE GOES PLANS TO SEND SHORTLY A MISSION TO VENEZUELA TO ADVANCE THE FINANCING SCHEME. APPARENTLY A MAJOR FACTOR DELAYING IMPLEMENTATION OF THE FINANCING AS REGARDS EL SALVADOR WAS THE COFFEE COMPANY'S RELUCTANCE TO ASSUME FIRST LIABILITY FOR THE LOAN; NOW IT HAS AGREED TO DO SO.
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